

DECISION MEMORANDUM

**TO: COMMISSIONER KJELLANDER
COMMISSIONER SMITH
COMMISSIONER HANSEN
COMMISSION SECRETARY
COMMISSION STAFF**

FROM: DON HOWELL

DATE: APRIL 16, 2004

**RE: IDAHO POWER'S PCA APPLICATION FOR ELECTRIC SERVICE FROM
MAY 16, 2004 THROUGH MAY 31, 2005, CASE NO. IPC-E-04-9**

On April 15, 2004, Idaho Power Company filed its annual Power Cost Adjustment (PCA) Application.

THE APPLICATION

The Company's PCA Application generally consists of two recommendations. First, the Company requests that the existing PCA rates that are scheduled to expire on May 16, 2004, be extended until May 31, 2004. Extending the current PCA rates until June 1 would avoid subjecting customers to two rate adjustments within 15 days: the first adjustment being new PCA rates on May 16; and the second adjustment being new base rates from the general rate case (No. IPC-E-03-13) proposed to be effective on June 1. Second, the Company is proposing to continue the current PCA rate of 0.6039¢ per kWh for the 2004-2005 PCA year except for decreases for customers in Schedule 7 (small general service), Schedule 19 (large power service), and Schedule 24 (irrigation service).

1. Calculation of the 2004-2004 PCA Adjustment. According to the Company, the combination of the various PCA components results in a PCA rate for the 2004-2005 PCA year of 0.6206 cents per kWh. The current PCA rate is 0.6039 cents per kWh.

The PCA annually adjusts the Company's rates based primarily upon (1) Snake River stream flows and storage; (2) off-system power purchases and sales during the preceding 12 months; and (3) the true-ups. This year's water forecast for April-July inflows at Brownlee Reservoir is 3.13 million acre feet (maf), as compared to the prior PCA year of 3.37 maf. The

30-year average inflows at Brownlee are 6.3 maf. In other words, this year's water forecast is roughly 50% below the average.

Idaho Power estimates that the projected power costs for the 2004-2005 PCA year will be approximately \$129.823 million or 0.2777 cents higher than the base rate of 0.7315 cents per kWh. Thus, the projected power cost component of the PCA would be 0.2499 cents per kWh (90% of 0.2777 cents). The true-up component is estimated by Idaho Power to be 0.366¹ cents per kWh. Finally, the newest component of the PCA – the true-up of the true-up – results in a PCA increase of 0.0046 cents per kWh. Application at 3; Order No. 29334 (Case No. IPC-E-03-5). Adding the three components results in a 2004-2005 PCA rate of 0.6206 cents per kWh, or a slight increase of 0.0167 cents over the existing PCA rate (except for the Schedule 7, 19, and 24 customers).

The Company proposes to recover the deferred under-collection in the “true-up of the true-up” in the next PCA year. This would avoid the “pancaking” of rate increases this summer.

2. Proposed Decreases. The decreases proposed in the three schedules are the result of carry-over credits from the prior PCA year. See Order No. 29334. The proposed decreases to the three customer classes are: Schedule 7 – 3.66% (-0.0189 cents per kWh); Schedule 19 – 6.66% (-0.0222 cents per kWh); and Schedule 24 – 15.75% (-0.0811 cents per kWh).

3. Customer Notice. The Company has prepared and distributed a PCA press release to media outlets. In addition, the Company will notify existing customers by means of bill stuffer. The press release and bill stuffer are attached to the Application.

The Company requests that the Commission process this case via Modified Procedure. In support of its Application, the Company submitted the prefiled exhibits and testimony of Greg Said.

In summary, the Company proposes that the Commission approve extending the existing PCA rates (set to expire on May 16) until May 31, 2004 as set out in Attachment 1. The Company also proposes to continue the existing PCA rates for the 2004-2005 PCA year with the decreases to Schedules 7, 19 and 24 until May 31, 2005 as shown in Attachment 2. Finally,

¹ If the Commission were to authorize the Company to increase the 2004-2005 PCA rates instead of continue the lower existing rates, than the Company has prepared in Attachment 3 a new Schedule 55 for June 1, 2004 to May 31, 2005.

Idaho Power proposes the deferred 2004-2005 expenses (the 0.0167 cents per kWh) should be recovered in the 2005-2006 PCA rates.

STAFF RECOMMENDATION

The Staff agrees with the Company's request that this case be processed via Modified Procedure. The Application was served on persons appearing on the annual PCA service list and all the parties to the current general rate case, Case No. IPC-E-03-13. The Staff also agrees with the Company's proposal to continue the existing PCA rates for two weeks or until May 31, 2004. This will avoid making two changes in rates.

The Staff recommends that comments regarding the PCA Application be due May 14, 2004, and rebuttal comments by the Company, if any, be due no later than the close of business on May 18, 2004. This matter would be placed on the Commission's May 24 Decision Meeting agenda.

COMMISSION DECISION

1. Does the Commission wish to process this matter via Modified Procedure?
2. Does the Commission wish to adopt Staff's suggested comment schedule?
3. Does the Commission desire to suspend the May 16, 2004 expiration of the existing PCA rates (Schedule 55) until May 31, 2004?

Don Howell

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